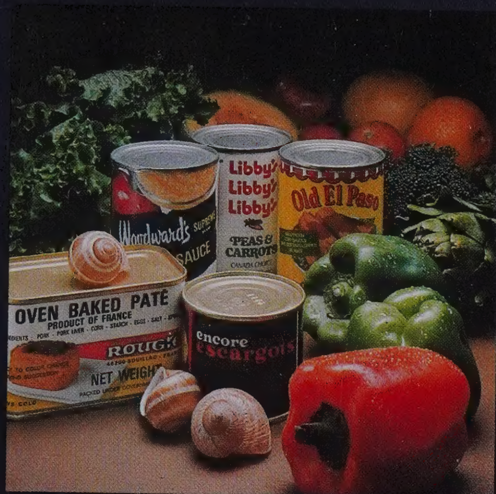
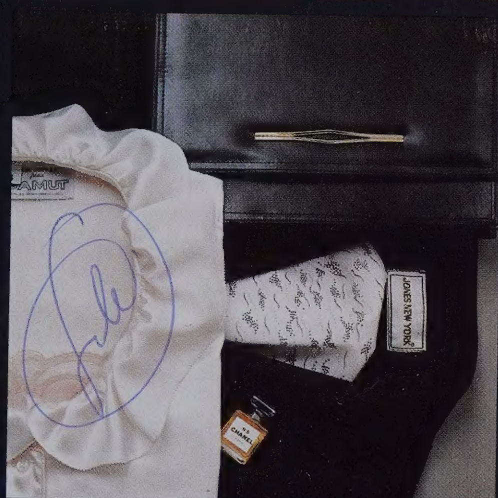
Woodward's





Annual Report 1979

For the fiscal year ended January 26, 1980

Woodward's-Western Canada's total department store

Woodward's is a major retailer, with 23 outlets in British Columbia and Alberta comprising 20 full line department stores, 1 free standing food store and 2 furniture and appliance centres known as Woodward's Furniture Fair. The Company markets family fashions, home furnishings, sporting goods, hardware and automotive products, cosmetics and pharmaceuticals, notions, stationery, and total food selections.

Full Line Stores

Woodward's commitment to a full line department store strategy sets it apart among retailers. Storewide assortments and services continually evolve with the changing patterns of consumer preferences.

Value

Woodward's founder Charles Woodward (1852-1937) believed in hard work, no false advertising and that a bargain was a bargain only when it benefited the buyer and seller mutually.

Today's company philosophy hasn't changed. Woodward's serves the average wage earner, its reputation built on a solid foundation of offering value at a reasonable and competitive price.

People

The success of the business is due in large part to the efforts of Woodward's 16,000 full and part time employees. Their widely diverse roles and responsibilities have one goal — service to the Woodward's customer.

Management Philosophy

Woodward's management philosophy is that both authority and accountability must be delegated downwards in the organization so that the junior management has the opportunity and the responsibility to participate in the decision-making process.

Service

Courteous, of course. Beyond that, service at Woodward's means day-in, day-out attention to all the details contributing to customer satisfaction. If you're not satisfied with merchandise you bought at Woodward's, please bring it back. That's Woodward's guarantee of satisfaction.

Woodward Stores Limited

and subsidiary companies

Highlights

	FISCAL YEAR ENDED January 26 1980	January 27 1979	% Increase
FOR THE YEAR			
Operating revenue	$899,722,669	$791,351,593	13.69
Net earnings	$ 19,400,183	$ 15,269,286	27.05
Net earnings per share	$2.86	$2.34	
Fully diluted net earnings per share	$2.86	$2.23	
Regular dividends per share	$ .94	$ .73	28.77
AT YEAR END			
Working capital	$138,093,925	$128,534,788	7.44
Shareholders' equity	$146,753,966	$125,333,129	17.09
Equity per share (see note on page 20)	$21.03	$19.11	10.05

DIRECTORS

CHARLES NAMBY WYNN WOODWARD† +
ROSE BANCROFT
WILLIAM GEORGE BROWN†
CHARLES REGINALD CLARRIDGE**
THOMAS RAYMOND FARRELL*
MARCO GANDOSSI, C.A.†
WILLIAM DOUGLAS HAIG GARDINER +
JAMES NORMAN HYLAND* +
HAROLD LESLIE JOY
GRANT WOODWARD MacLAREN, C.A.†
HAROLD ROBERTSON MARTIN
STANLEY ALBERT MILNER
JOHN OXLEY MOXON†
LEWIS GEORGE PHIPPS
FRANK ALLAN ROBERTSON†
AIDAN ROBINSON
MARGARET ELIZABETH SOUTHERN
ROBERT ARTHUR WHITE*

† *Member of Executive Committee*
* *Member of Audit Committee*
** *Alternate Member of Audit Committee*
\+ *Member of Compensation Committee*

AUDITORS

DELOITTE HASKINS & SELLS
Chartered Accountants, Vancouver, British Columbia

OFFICERS

CHARLES NAMBY WYNN WOODWARD
Chairman of the Board and Chief Executive Officer

GRANT WOODWARD MacLAREN, C.A.
President and Chief Operating Officer

FRANK ALLAN ROBERTSON
Executive Vice President, Merchandising

MARCO GANDOSSI, C.A.
Senior Vice President, Finance and Secretary

WILLIAM GEORGE BROWN
Vice President, Personnel and Services

JOHN OXLEY MOXON
Vice President, Alberta Operations

DANIEL BENJAMIN KENNEDY
Assistant Secretary

REGISTRAR

WOODWARD STORES LIMITED
Vancouver, British Columbia

TRANSFER AGENTS

WOODWARD STORES LIMITED
Vancouver, British Columbia

MONTREAL TRUST COMPANY
Toronto, Ontario; Montreal, Quebec; Edmonton, Alberta

HEAD OFFICE

101 West Hastings Street, Vancouver, British Columbia

Directors' Report to the Shareholders

It is a pleasure to report that record operating revenues and net earnings were achieved in the 1980 fiscal year.

Net earnings for the year amounted to $19,400,183 compared to $15,269,286 for last year, an increase of 27.05%. On a per share basis, net earnings increased from $2.34 to $2.86. Operating revenue increased by 13.69% to $899,722,669.

The Company improved its financial position during the year under review. Working Capital increased by $9,559,137 to $138,093,925 at the year end. Equity of each Class A, B and C share increased from $19.11 in fiscal 1979 to $21.03, and the return on average shareholders' equity rose from 12.74% to 14.26%.

Well planned marketing strategies, along with a firm control of operating expenses resulted in the improved net earnings. With the objective of increased sales through better servicing of customers' needs, basic stock programs were enhanced to reflect the changing marketplace. Other areas that were emphasized during the year were the development of Woodward's exclusive products, standardized merchandise presentation between stores, and product knowledge programs to assist sales staff.

Furthermore, retail sales in Western Canada were quite buoyant during the year, with quarterly increases over the previous year of 8.93%, 12.07%, 15.34%, and 17.26%, being recorded for the first, second, third and fourth quarters respectively. Sales for the third and fourth quarters this year include sales of a new store opened in Coquitlam, British Columbia, on August 15, 1979.

Operating expenses were well controlled during the year with the aid of strict budgetary procedures which were introduced in recent years. The largest single item of expense for your Company consists of wages, salaries and benefits which totalled $188,426,744, an increase of 15.17% over the previous year. In addition, corporate Federal and Provincial income taxes, Provincial capital taxes, Municipal realty and business taxes amounted to $20,926,196, an increase of 19.05% over the previous year.

A program of energy conservation introduced a few years ago has now been expanded to a company-wide basis. As a result, energy consumption has been appreciably reduced during the past two years. This reduction has been accomplished primarily by eliminating the wasteful use of energy.

During the year, 420,050 Class A shares were issued on conversion of $8,401,000 principal amount of the 6¾% Convertible Sinking Fund Debentures 1969 Series. These Debentures were convertible at the holder's option up to September 1, 1979, into 50 Class A shares per $1,000 principal amount of the Debentures.

Dividends paid in 1979 on the outstanding Class A and Class B shares were increased to reflect the growth in net earnings. These dividends totalled 94¢ per share compared to 73¢ per share in 1978.

Dividends of 66¢ per share on the outstanding Class A and Class B shares have been declared payable April 30, 1980, an increase of 10¢ per share over the dividend rate in April 1979.

In keeping with the rights attached to the Class D shares, 1,347,539 of these shares were redeemed during the year under review and 946,147 will be redeemed on April 30, 1980.

During the year, the Company substantially revised its benefits package for staff and management. The 100% employer-paid health and welfare program provides medical, dental, hospital, life insurance, short-term sickness income, long-term disability income and pension coverage. The program is cost-controlled and is based on a pay-for-time worked concept. In the opinion of the Company, the revisions to the benefits package gives the employees the most comprehensive coverage in the retail industry.

Capital expenditures for the 1981 fiscal year are planned at approximately $12,600,000, consisting primarily of major fixture and equipment renovations and replacements in existing stores, computerization of the warehouse and handling systems for appliances, furniture and floor coverings, and continuing expenditures on the electronic point of sale program.

Plans are also proceeding for three new leased store locations to open in the 1982 fiscal year. These stores will be in shopping centres located in Nanaimo, British Columbia, North East Calgary and Red Deer, Alberta. In addition, negotiations are continuing for the relocation of the Kamloops store to premises to be leased from developers of a regional shopping centre in that city.

Mr. C.R. Claridge, our President and Chief Operating Officer, retired on May 22, 1979. Mr. Claridge joined the Company in 1934 and during his career held many senior positions within the Company. Because of his merchandising experience and strong leadership qualities, he contributed greatly to the growth and success of the Company. We will, however, retain the continuity of his valued counsel as he will remain as a Director.

Mr. G.W. MacLaren, formerly Executive Vice President, was appointed President and Chief Operating Officer to succeed Mr. Claridge. In addition, Mr. F.A. Robertson, formerly Senior Vice President, Merchandising, was appointed Executive Vice President, Merchandising.

We are pleased to welcome Mrs. M.E. Southern, who was elected to the Board during the year. Mrs. Southern brings not only a wealth of knowledge and experience to the Board, but also greater representation from the Province of Alberta, a region which makes a significant contribution to the operations of the Company.

We expect to see a slowdown in the Canadian economy for 1980 with only marginal growth forecast for the Gross National Product. British Columbia and Alberta should, however, out-perform the overall Canadian economy and as a result retail sales on a per capita basis in these provinces should continue at above the national average. The continuing high interest rates, rapid escalation of petroleum prices and high labour costs are concerns for all retailers in 1980. We are confident that Woodward's can meet these challenges and look forward to 1980 with cautious optimism.

The Company's continued success and progress is attributable mainly to the diligence and conscientious efforts of our staff at all levels to meet and service the needs of our customers. To each and every one of them, we extend our thanks and appreciation. We also remain most grateful to our customers and suppliers for their support and to our shareholders for their continuing interest in the Company.

Respectfully submitted,

C. Woodward

Chairman of the Board and
Chief Executive Officer.

G.W. MacLaren

President and Chief
Operating Officer.

April 3, 1980.

A bright outlook

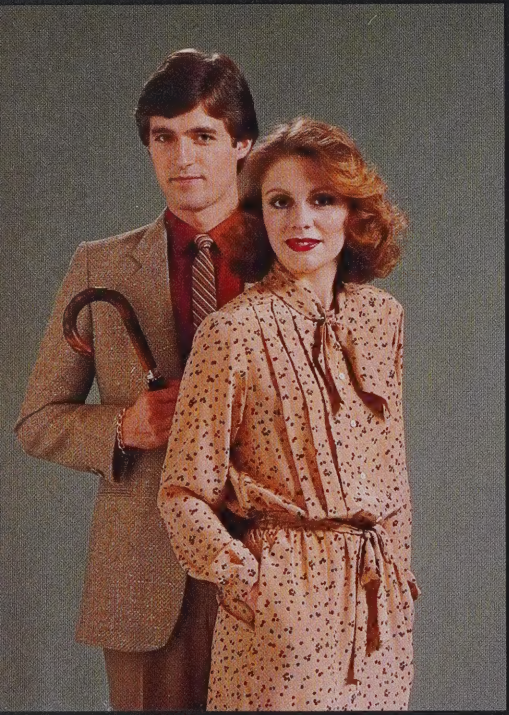
Today's woman is unquestionably the single most influential factor in the marketplace and a prime target customer for Woodward's.

She's a well-educated, discerning buyer with money to spend on herself.

Whether she chooses to be a full time homemaker or joins the growing numbers of women in the work force, her need is primarily for apparel that's both fashionable and functional. She wants to look good in every situation. And she's a stickler for value.

Woodward's selection ranges from the wardrobe designer outfits in Shop International to contemporary, popularly priced labels. A significant proportion of the assortment always highlights current trend fashion.

Lingerie is a feminine indulgence that Woodward's caters to with continually rising sales, especially in the better



quality lines. Cosmetics are also vitally important in our society and the best-selling cosmetic specialists are well represented in all stores.

In Woodward's men's wear departments there's more colour, texture and style in view as men make increasingly diverse apparel choices for on and off the job.

While Woodward's sets its sights on gaining a greater share of the fashion dollar for both men and women, they continue to lead the apparel market in infant's and children's wear.

The time-pressed working mother demands shopping convenience, dependable quality and value. She shops Woodward's.

Woodward's

Changing life s

Family life is changing dramatically as married women now comprise about 25% of the work force. Increasing numbers of two-income families fall into the 35 plus age bracket, the prime spenders on home needs.

This trend, coupled with concerns for energy conservation, has resulted in higher levels of product quality, style and performance being demanded.

Woodward's policy is to market competitive national brands, thus providing their customers with the best possible choice of technological advances in appliances and electronics.

In home fashion, there is no longer a "right way" and while trends may influence buying decisions, individual preferences are the order of the day. The Woodward's shopper can change

yles

a home environment from traditional to contemporary as personal tastes change.

Extensive new selections in Builder's Hardware and Crafts departments reflect a renewed attitude towards do-it-yourself as an outlet for creative self expression as well as an economic advantage.

Common desires to get into shape and get away from it all have important implications for Woodward's merchants as well and they're responding with many more fitness, sports and travel options.

Woodward's merchandise assortments are continually changing to meet their customers' needs, but they never lose sight of their commitment to provide "good value at a fair price".

Woodward's

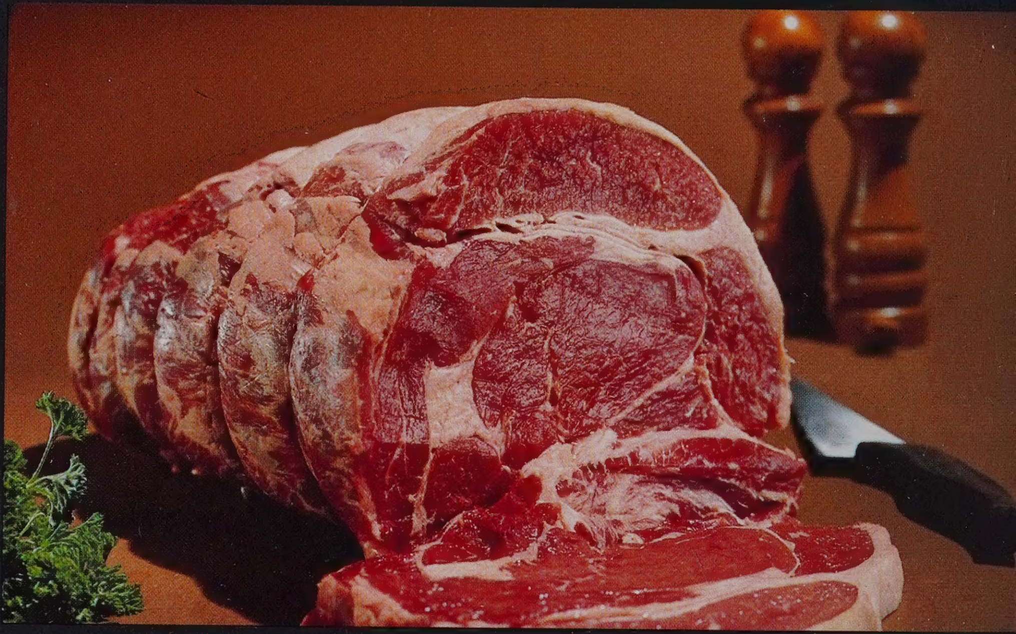
Famous food flo

Consistently outstanding in selection, presentation, and value, Woodward's food floors have traditionally served a wide range of consumers with all the basics and much more.

As we move into the 80's, active working marrieds and more affluent singles are affecting a marked shift in buying habits.

Sales of time-saving delicatessen foods, prepared party and bakery trays, microwave-ready meals and more wholesome convenience foods will continue to escalate. Smaller pre-packaged portions in all commodities are extremely popular with growing numbers of small-family and single households.

These considerations are being swiftly applied to Woodward's food merchandising program along with increased emphasis on proven lines.



ors

Woodward's own brand is a point of Company pride and products are invariably top quality although they are priced in the mid-quality range.

From the beginning, baking on site has been considered an invaluable service and a bakery continues to be an integral part of every food floor.

In a class by itself is Woodward's Specialty and Import Foods section. Epicurean rarities, unusual cheeses, and ethnic specialties are attracting increasing numbers of people who turn to gourmet cooking for self-expression and imaginative entertaining.

Woodward's

Woodward Stores Limited

and subsidiary companies

Consolidated Statement of Earnings

	FISCAL YEAR ENDED January 26 1980	January 27 1979
OPERATING REVENUE:		
Sales including service charges	$887,543,335	$779,978,339
Rental revenue and other income	12,179,334	11,373,254
Total operating revenue	899,722,669	791,351,593
COSTS AND EXPENSES:		
Cost of merchandise sold and all other expenses except those listed hereunder	655,488,211	581,172,402
Selling, general and administrative	180,421,586	155,745,105
Profit sharing and retirement funds	9,653,643	6,989,980
Depreciation and amortization	7,816,806	6,989,128
Interest on long term debt	13,347,187	13,887,698
Interest on capital lease obligations	670,046	582,988
Other interest	414,031	858,972
Total costs and expenses	867,811,510	766,226,273
OPERATING EARNINGS	31,911,159	25,125,320
Share of net earnings of corporate joint ventures	856,024	537,966
EARNINGS BEFORE INCOME TAXES	32,767,183	25,663,286
Provision for income taxes (Note 6)	13,367,000	10,394,000
NET EARNINGS FOR THE YEAR	$ 19,400,183	$ 15,269,286
NET EARNINGS PER SHARE	$ 2.86	$ 2.34
FULLY DILUTED NET EARNINGS PER SHARE	$ 2.86	$ 2.23

Consolidated Statement of Retained Earnings

	FISCAL YEAR ENDED January 26 1980	January 27 1979
RETAINED EARNINGS AT BEGINNING OF THE YEAR	$ 95,198,801	$ 91,151,604
Net earnings for the year	19,400,183	15,269,286
	114,598,984	106,420,890
Deduct dividends paid:		
Class A shares	4,517,512	3,329,724
Class B shares (stock dividend in 1980)	515,295	1,441,363
Class C shares — special dividend	—	6,451,002
	5,032,807	11,222,089
RETAINED EARNINGS AT END OF THE YEAR	$109,566,177	$ 95,198,801

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Financial Position

	FISCAL YEAR ENDED January 26 1980	January 27 1979
FUNDS PROVIDED:		
From operations:		
Net earnings	$ 19,400,183	$ 15,269,286
Add (Deduct):		
Dividends from a corporate joint venture	600,000	480,000
Depreciation and amortization	7,816,806	6,989,128
Deferred income taxes	3,645,000	666,000
Other	(915,235)	(233,085)
Total funds provided from operations	30,546,754	23,171,329
Proceeds from disposal of properties, fixtures and equipment	1,227,801	51,440
Capital lease obligations	5,522,376	—
Issue of Class D shares	—	6,451,001
Total funds provided	37,296,931	29,673,770
FUNDS APPLIED:		
Additions to properties, fixtures and equipment	11,265,986	3,929,061
Assets under capital leases	5,522,376	—
Reduction in long term debt	4,174,114	2,421,461
Reduction in capital lease obligations	394,972	7,400
Redemption of Class D shares	1,347,539	—
Redemption of Class E shares issued as stock dividend	515,295	—
Cash dividends	4,517,512	11,222,089
Total funds applied	27,737,794	17,580,011
INCREASE IN WORKING CAPITAL FOR THE YEAR	9,559,137	12,093,759
WORKING CAPITAL AT BEGINNING OF THE YEAR	128,534,788	116,441,029
WORKING CAPITAL AT END OF THE YEAR	$138,093,925	$128,534,788

The accompanying notes are an integral part of the consolidated financial statements.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Woodward Stores Limited as at January 26, 1980 and the consolidated statements of earnings, retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at January 26, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia
April 3, 1980

DELOITTE HASKINS & SELLS
Chartered Accountants

Woodward Stores Limited

(Under the Companies Act, British Columbia) and subsidiary companies

Consolidated Balance Sheet

ASSETS	AS AT January 26 1980	January 27 1979
CURRENT ASSETS:		
Cash (including short term deposits of $9,969,000 in 1980; $7,500,000 in 1979)	$ 15,461,957	$ 12,679,895
Marketable securities at cost (market value 1980 — $6,921,185; 1979 — $6,848,735)	1,383,421	1,410,546
Accounts receivable	71,976,256	61,775,575
Merchandise valued at the lower of cost and net realizable value	119,027,930	106,636,260
Prepaid expenses	2,672,601	2,178,459
Total current assets	210,522,165	184,680,735
INVESTMENTS IN CORPORATE JOINT VENTURES (Note 1(a))	2,184,159	1,928,135
PROPERTIES, FIXTURES AND EQUIPMENT:		
Land	23,986,811	23,610,431
Buildings and improvements	102,747,549	102,084,655
Fixtures and equipment	76,205,949	67,617,461
Total cost	202,940,309	193,312,547
Less accumulated depreciation	69,226,041	62,245,950
Net properties, fixtures and equipment	133,714,268	131,066,597
ASSETS UNDER CAPITAL LEASES — at capitalized cost less accumulated amortization of $168,276 in 1980 and $61,407 in 1979 (Note 2(a))	10,725,528	5,310,021
OTHER ASSETS:		
Debt expense at cost less amortization	1,601,228	1,841,758
TOTAL	$358,747,348	$324,827,246

LIABILITIES AND SHAREHOLDERS' EQUITY

	AS AT January 26 1980	January 27 1979
CURRENT LIABILITIES:		
Bank indebtedness	$ 5,195,068	$ 2,258,521
Accounts payable and accrued liabilities	56,255,076	49,781,065
Income taxes	9,609,983	2,407,961
Current portion of long term debt	582,113	1,361,000
Current portion of capital lease obligations	318,000	7,400
Notes payable to a corporate joint venture	468,000	330,000
Total current liabilities	72,428,240	56,145,947
LONG TERM DEBT (Note 3)	124,888,412	137,463,526
CAPITAL LEASE OBLIGATIONS (Notes 2(a) and 4)	10,416,804	5,289,400
DEFERRED INCOME TAXES	4,035,500	390,500
MINORITY INTEREST	224,426	204,744
SHAREHOLDERS' EQUITY:		
Share capital (Note 5)	31,124,037	24,070,576
Contributed surplus (no transactions during the year)	4,595,953	4,595,953
Unrealized gains on sales of certain fixed assets to corporate joint ventures (no transactions during the year)	1,467,799	1,467,799
Retained earnings	109,566,177	95,198,801
Total shareholders' equity	146,753,966	125,333,129
TOTAL	$358,747,348	$324,827,246

APPROVED BY THE BOARD:

C.N.W. Woodward, *Director*
M. Gandossi, *Director*

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements, January 26, 1980

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of Consolidation and Basis of Presentation:
The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned, except Lansdowne Park Shopping Centre Limited which is 80% owned, as follows:

Store Companies:
- Woodward Stores (British Columbia) Limited
- Woodward Stores (Alberta) Limited
- Woodward's Furniture Fair Limited
- Woodward's Furniture Fair (Edmonton) Limited

Other Companies:
- Woodward Acceptance Company Limited
- Woodward Realty Limited (formerly Woodward Holdings Limited)
- Lansdowne Park Shopping Centre Limited
- Lethbridge Centre Limited
- Britalta Wholesale Drugs Limited
- Britalwood Investments Limited
- Del-Pak Foods, Limited
- Locarno Investments Limited
- Pinewood Holdings Limited
- Provincial Construction Company Limited
- Thirty-one Purchasing Service Limited
- Westwood Food Processors Limited
- Woodward Stores (London) Limited

The Company simplified its corporate structure during the year by amalgamating sixteen store companies into Woodward Stores (British Columbia) Limited and Woodward Stores (Alberta) Limited.

The Company also owns 60% of the issued shares of Southgate Shopping Centre Limited. However, because all major decisions of that company require joint approval by the Company and the other 40% shareholder, the Company does not have effective control. Accordingly its accounts have not been consolidated. Southgate Shopping Centre Limited and the Company's partial ownership interest in the three other companies listed below are accounted for on the equity method of accounting as corporate joint ventures. On this basis the Company's share of earnings and losses of these companies, based on their last completed fiscal year, is brought into income and the Company's investment therein adjusted by a like amount. Dividends received from these companies are credited to the investment account (1980 — $600,000; 1979 — $480,000). The Company's equity in and advances to these companies are as follows:

	Equity Interest	Fiscal Year End	January 26 1980	January 27 1979
Southgate Shopping Centre Limited	60%	January 31	$ 130,340	$ 122,465
Project 200 Properties Limited	25%	December 31	291,727	199,682
Project 200 Investments Limited	23%	December 31	860,293	776,605
The Edmonton Centre Limited	30%	March 31	901,799	829,383
			$2,184,159	$1,928,135

(b) Accounts Receivable:
In accordance with recognized industry practice, accounts receivable include certain instalment accounts of which a portion will not become due within one year.

(c) Merchandise Inventories:
The basis of valuation of merchandise, at the lower of cost and net realizable value, is determined principally by use of the retail method of accounting, generally used within the industry.

(d) Depreciation and Amortization (see Note 2(a)):
The Company provides depreciation on properties, fixtures and equipment and amortization of assets under capital leases (other than on the buildings in three centres) principally on the straight line basis at rates sufficient to write off the cost of the various classes over their estimated useful lives or lease terms. These annual rates, for the major asset classes, are 2½% of cost on buildings, 3% of cost on parking improvements and 10% of cost on fixtures and equipment.

For the buildings in three centres, the Company provides depreciation and amortization on the sinking fund method. Under this method the depreciation and amortization charged against earnings is an amount which increases annually and comprises a predetermined fixed sum plus 5% compound interest, which together will fully depreciate the building costs over a 40 year period or the lease terms.

(e) Debt Expense:
Expenses related to the issuance of long term debt are amortized on a straight line basis over the term of the issue to which they relate after adjusting for conversions, redemptions and purchases where applicable and the amount amortized is included in interest on long term debt expense in the consolidated statement of earnings.

(f) Store Pre-opening Expenses (see Note 2(b)):
Such expenses are charged against earnings as incurred.

2. CHANGES IN ACCOUNTING POLICIES:

(a) The Accounting Research Committee of the Canadian Institute of Chartered Accountants issued Recommendations effective for fiscal years commencing on or after January 1, 1979 with respect to the accounting for leases. In essence, lease obligations transferring substantially all of the benefits and risks incident to ownership of property ("capital leases") are to be accounted for as the acquisition of an asset and the incurrence of long term debt. All other lease obligations are to be accounted for as operating leases whereby rentals are charged against earnings.

The Company has adopted these recommendations on a retroactive basis and amounts for the fiscal year ended January 27, 1979 have been restated for the cumulative effect of this change by decreasing the previously reported net earnings for that year and the retained earnings at the end of that year by approximately $18,000, and by decreasing the previously reported working capital at the end of that year by approximately $56,000.

(b) In prior years, store pre-opening expenses were deferred and amortized against earnings over a twelve month period commencing with the month of opening. These expenses are now charged against earnings as incurred. The effect of this change on net earnings for the current fiscal year was not material. There were no deferred store pre-opening expenses as at January 27, 1979.

3. LONG TERM DEBT:

	Maturity	January 26 1980	January 27 1979
Woodward Stores Limited:			
5¾% Sinking Fund Debentures 1965 Series with annual sinking fund requirements on June 15 of $500,000	June 15, 1985	$ 3,887,000	$ 5,049,000
6¾% Sinking Fund Debentures 1969 Series with annual sinking fund requirements on September 1 of $10,000	September 1, 1989	191,000	8,599,000
8¾% Sinking Fund Debentures 1973 Series with annual sinking fund requirements on July 15 of $500,000 in 1980, $600,000 in each of the years 1981 to 1984 inclusive, $700,000 in each of the years 1985 to 1988 inclusive, and $800,000 in each of the years 1989 to 1992 inclusive	July 15, 1993	12,800,000	13,469,000
11¼% Sinking Fund Debentures 1974 Series with annual sinking fund requirements on October 15 of $800,000 in each of the years 1980 to 1984 inclusive, and $1,000,000 in each of the years 1985 to 1993 inclusive	October 15, 1994	17,183,000	19,000,000
10⅝% Sinking Fund Debentures 1976 Series with annual sinking fund requirements on June 15 of $800,000 in each of the years 1980 to 1986 inclusive, and $1,000,000 in each of the years 1987 to 1995 inclusive	June 15, 1996	19,214,000	20,000,000
9⅞% Sinking Fund Debentures 1977 Series with annual sinking fund requirements on August 1 of $800,000 in each of the years 1983 to 1987 inclusive, and $1,000,000 in each of the years 1988 to 1996 inclusive	August 1, 1997	20,000,000	20,000,000
Lethbridge Centre Limited:			
9¾% First Mortgage Bond payable in semi-annual instalments of $629,557 including interest with a balance of $2,735,030 due at maturity	January 1, 2006	12,015,666	12,097,240
Lansdowne Park Shopping Centre Limited:			
10⅛% First Mortgage Bonds Series A payable in semi-annual instalments of $1,128,253 including interest with a balance of $9,341,059 due at maturity	November 1, 1997	19,987,985	20,204,158
10¼% First Mortgage Bonds Series B payable in semi-annual instalments of $1,150,264 including interest with a balance of $9,492,160 due at maturity	November 1, 1997	20,191,874	20,406,128
		125,470,525	138,824,526
Less current portion shown in current liabilities		582,113	1,361,000
		$124,888,412	$137,463,526

Notes to the Consolidated Financial Statements — continued

All Debentures of the Company rank equally and are secured equally and rateably, except for sinking funds pertaining to the respective issues, by floating charges upon the undertakings and all property and assets, present and future, of the Company and certain designated subsidiaries in the provinces of British Columbia and Alberta.

The Trust Indentures, pursuant to which the Debentures of the Company have been issued, contain restrictive covenants concerning the payment of dividends. At January 26, 1980, the consolidated net current assets were approximately \$118,000,000 in excess of the requirement under the most restrictive of such covenants, and the consolidated retained earnings free of restrictions were approximately \$47,000,000.

The 9¾% First Mortgage Bond of Lethbridge Centre Limited is secured by a charge on the Lethbridge Centre and by an assignment of certain leases and other agreements related to the operation of the centre.

The 10⅛% First Mortgage Bonds Series A and the 10¼% First Mortgage Bonds Series B of Lansdowne Park Shopping Centre Limited are secured by a charge on the Lansdowne Park Shopping Centre and by an assignment of all leases and the rents thereunder.

Maturities and sinking fund requirements during the next five fiscal years (net of \$3,823,000 of debentures purchased in advance of such requirements) are as follows:
1981 — \$582,113; 1982 — \$2,217,000; 1983 — \$3,285,000; 1984 — \$4,270,000; 1985 — \$4,349,000.

4. CAPITAL LEASE OBLIGATIONS:

Certain of the Company's leases with respect to premises and fixtures and equipment are accounted for as capital leases. Future minimum lease payments under these capital leases are as follows:

Fiscal years ending:	
1981	\$ 1,412,590
1982	1,421,412
1983	1,421,412
1984	1,421,412
1985	1,421,412
Thereafter	31,180,956
Total minimum lease payments	38,279,194
Less amount representing imputed interest averaging 10.2%	27,544,390
Present value of net minimum lease payments	10,734,804
Less current portion shown in current liabilities	318,000
	\$10,416,804

These capital lease obligations expire during the fiscal years 1990 and 2040.

5. SHARE CAPITAL:

The authorized share capital (all without par value) and principle attributes of the classes of shares are as follows:

(1) 8,503,300 Class A and 8,503,300 Class B shares which are voting and are exchangeable for one another at the option of the shareholders, on a share-for-share basis, and are identical in all respects except that dividends on the Class B shares may be paid by way of stock dividends in the form of fully paid Class E shares.

(2) 8,503,300 Class C shares which are not entitled to dividends so long as any Class D shares are outstanding. Upon redemption of all of the Class D shares, the Class C shares will then have the same dividend rights as the Class B shares. The Class C shares have the same voting rights as the Class A and Class B shares and may be exchanged, on a share-for-share basis, for Class A or Class B shares once all of the Class D shares have been redeemed.

(3) 9,000,000 Class D shares which shall be redeemed by the Company for \$1 per share at the same time and proportionately as cash dividends are payable on the Class A shares. The Class D shares are non-voting and are not entitled to dividends.

(4) 3,000,000 Class E shares which are non-voting, are not entitled to dividends and are redeemable at the amount paid thereon.

(5) 10,000,000 Class F shares (created during the year) which are non-voting but have the same dividend rights as the Class A shares.

(6) 10,000,000 preferred shares (created during the year) which are issuable in one or more series, the number of shares and rights of each series to be authorized by the directors before the issue thereof.

The issued share capital as at January 26, 1980 and the changes during the year are as follows:

	Number of Shares	Amount
(a) Class A shares:		
Balance at beginning of the year	4,567,952	$12,606,946
Issued on conversion of 1969 series debentures	420,050	8,401,000
Issued in exchange for Class B shares	15,909	42,477
Surrendered in exchange for Class B shares	(1,600)	(4,272)
Balance at end of the year	5,002,311	21,046,151
(b) Class B shares:		
Balance at beginning of the year	555,972	1,185,034
Issued in exchange for Class A shares	1,600	4,272
Surrendered in exchange for Class A shares	(15,909)	(42,477)
Balance at end of the year	541,663	1,146,829
(c) Class C shares:		
Balance at beginning and end of the year	1,433,556	3,827,595
(d) Class D shares:		
Balance at beginning of the year	6,451,001	6,451,001
Redeemed	(1,347,539)	(1,347,539)
Balance at end of the year	5,103,462	5,103,462
(e) Class E shares:		
Issued as stock dividend on Class B shares	1,096,344	515,295
Redeemed	(1,096,344)	(515,295)
Balance at end of the year	—	—
Total paid-up capital		$31,124,037

Sufficient Class A and Class B shares are reserved to satisfy the rights of exchange between classes.

6. INCOME TAXES:

The provision for income taxes for the current year represents an effective tax rate of 40.8% on consolidated pre-tax earnings compared to the combined federal-provincial statutory income tax rate of 48.2%. This reduction in income taxes results primarily from the 3% inventory allowance which amounted to $3,222,000, representing tax savings of approximately $1,600,000 (4.9%). The balance of the reduction results from miscellaneous non-taxable income items.

7. STATUTORY INFORMATION:

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company during the year amounted to $1,291,365.

Notes to the Consolidated Financial Statements — continued

8. CONTINGENT LIABILITIES AND OTHER COMMITMENTS:

(a) The aggregate minimum future annual rentals (exclusive of renewal periods, and property taxes and other expenses payable directly by the companies) under long term operating leases for premises in shopping centres, a warehouse and furniture retail outlets are as follows:

Fiscal years ending:	
1981	$ 6,362,000
1982	6,362,000
1983	6,362,000
1984	6,362,000
1985	6,355,000
1986 to 2014	117,347,000
	$149,150,000

Most leases contain a percent-of-sales clause. The aggregate amount of rentals under these leases charged against earnings during the year ended January 26, 1980 was approximately $9,600,000 (1979 — $8,400,000).

(b) The estimated unfunded liability as at January 26, 1980 for the Company's non-contributory pension plans for employees is $9,400,000 which will be amortized against earnings by making annual payments of $1,480,000 to 1985, $1,064,000 from 1986 to 1989 and $748,000 from 1990 to 1994. The total pension expense charged against earnings for the year amounted to $5,608,000 (1979 — $2,658,000).

(c) The Company has jointly and severally agreed under a Deficiency Agreement to make available sufficient funds for the operation of Southgate Shopping Centre, including payments of principal, interest and redemption premium, if any, on the First Mortgage Bonds of Southgate Shopping Centre Limited, which are outstanding at January 26, 1980 in the amount of $10,487,000.

(d) Under an Indemnity Agreement the Company has a contingent liability to the extent of 30% with respect to amounts paid by a Canadian Chartered Bank under a Rental Deficiency Agreement for the operation of The Edmonton Centre Limited complex, including payments of principal, interest and redemption premium, if any, on the First Mortgage Bonds of The Edmonton Centre Limited, which are outstanding at January 26, 1980 in the amount of $101,395,000.

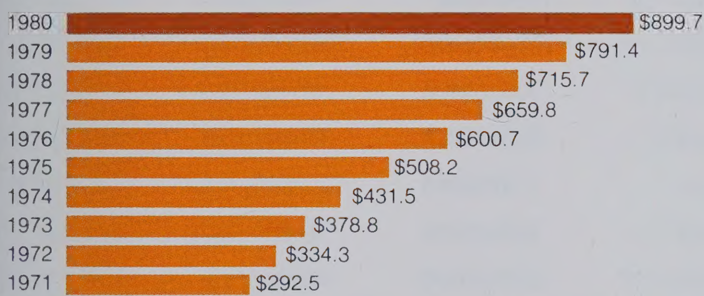
Under a Subscription Agreement the Company, in certain circumstances, may be required to purchase 30% of $10,000,000 in preferred shares issued by The Edmonton Centre Limited to the Canadian Chartered Bank.

Supplemental Financial Information

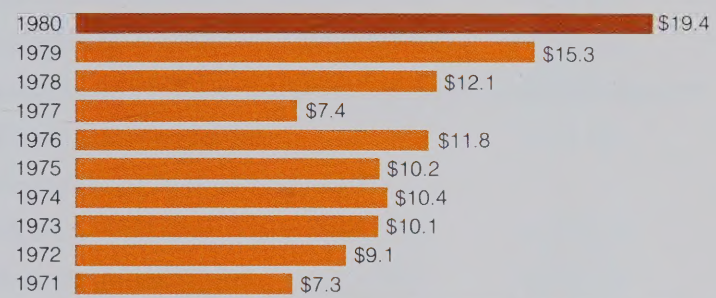
1. COMPARATIVE STATISTICS:

The following graphs show a steady growth in the Company's operations and shareholders' equity, with the exception of the 1977 year, which reflected the impact of a weak Canadian economy on the retailing industry.

Operating Revenue
Millions

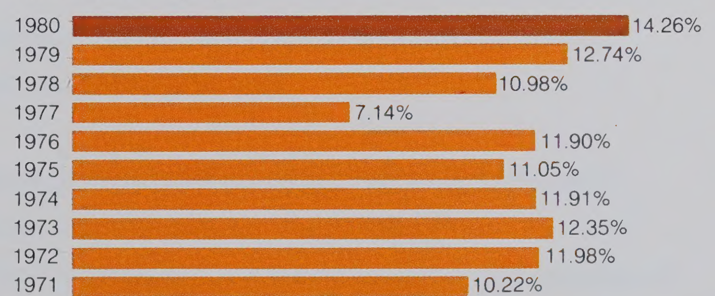


Earnings, Excluding Extraordinary Items
Millions

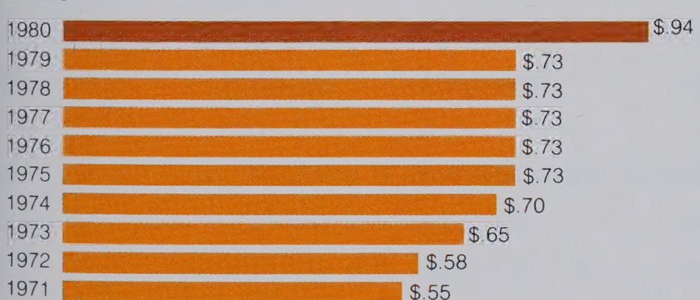


Earnings, Excluding Extraordinary Items, as a Percent of Operating Revenue

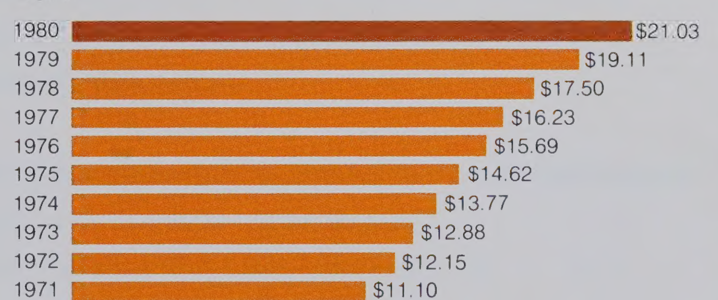
Earnings, Excluding Extraordinary Items, as a Percent of Average Shareholders' Equity



Regular Dividends per Share
Dollars



Equity of Each Class A, B and C Share
Dollars



2. CONSOLIDATED DEBT TO EQUITY RATIO:

The outstanding long term debt (excluding the portion due within one year) of the Lethbridge Centre and Lansdowne Park Shopping Centre as at January 26, 1980 and January 27, 1979 approximated $51,630,000 and $52,196,000 respectively, which represented 41.3% and 38.0% of the Company's total consolidated long term debt outstanding at those dates.

The ratio of consolidated long term debt and capital lease obligations to shareholders' equity of the Company as at January 26, 1980 was .92 to 1 (1979 — 1.14 to 1). If the long term debt and shareholders' equity (after adjusting for minority interest) related to the above two shopping centres was segregated from the consolidated figures, this ratio would be .57 to 1 (1979 — .73 to 1).

Woodward Stores Limited

and subsidiary companies

Comparative Record

Fiscal Years Ended	January 26 1980	January 27 1979**	January 28 1978**
Sales Including Service Charges	**$887,543,335**	$779,978,339	$707,021,959
Rental Revenue and Other Income	**12,179,334**	11,373,254	8,706,781
Selling, General and Administrative Expenses	**180,421,586**	155,745,105	144,515,877
Provision for Depreciation and Amortization Charged to Operations	**7,816,806**	6,989,128	6,287,736
Interest on Long Term Debt	**13,347,187**	13,887,698	10,576,742
Interest on Capital Lease Obligations	**670,046**	582,988	583,679
Profit Sharing and Retirement Funds	**9,653,643**	6,989,980	6,247,903
Provision for Income Taxes	**13,367,000**	10,394,000	7,311,500
Net Earnings (†Excluding Extraordinary Items of Income)	**19,400,183**	15,269,286	†12,102,766
Net Earnings per Share Excluding Extraordinary Items	**$ 2.86**	$ 2.34	$ 1.85
Regular Dividends per Share	**.94**	.73	.73
Working Capital (Current Assets less Current Liabilities)	**$138,093,925**	$128,534,788	$116,441,029
Ratio of Current Assets to Current Liabilities	**2.91**	3.29	2.93
Properties, Fixtures and Equipment less Depreciation Provided	**$133,714,268**	$131,066,597	$134,156,303
Assets Under Capital Leases less Amortization Provided	**10,725,528**	5,310,021	5,324,144
Total Assets	**358,747,348**	324,827,246	320,442,026
Long Term Debt	**124,888,412**	137,463,526	140,347,987
Capital Lease Obligations	**10,416,804**	5,289,400	5,296,808
Shareholders' Equity (less preference shares outstanding in 1971)	**$146,753,966**	$125,333,129	$114,371,931
Equity of Each Class A, B and C Share*	**21.03**	19.11	17.50
Return on Average Shareholders' Equity	**% 14.26**	% 12.74	% 10.98

*In determining the equity of each Class C share (none prior to 1979), it has been assumed that all of the Class D shares are held by Class C shareholders and the equity attached to the Class D shares is ascribed to the Class C shares.

**Restated for retroactive change in accounting practice — see Note 2(a) to consolidated financial statements.

January 31 1977**	January 31 1976**	January 31 1975**	January 31 1974	January 31 1973	January 31 1972	January 31 1971
$653,461,110	$596,058,036	$504,491,394	$427,981,693	$375,755,598	$332,068,456	$290,492,320
6,298,581	4,610,957	3,690,544	3,475,086	3,023,938	2,240,398	1,996,346
135,108,476	120,408,625	102,289,899	84,141,922	73,396,620	64,090,751	56,406,338
6,254,336	5,227,545	4,520,716	3,917,706	3,669,623	3,213,349	2,954,025
7,496,609	5,171,384	4,153,786	2,838,741	2,234,428	1,747, 580	1,739,962
584,299	584,855	438,971	—	—	—	—
5,481,067	5,545,359	5,083,836	4,701,465	4,297,033	4,093,153	3,200,106
6,357,000	11,414,000	10,960,000	10,443,300	8,925,400	8,444,850	7,603,350
†7,443,417	11,781,322	10,246,128	10,362,776	†10,061,672	†9,129,866	7,330,536
$ 1.14	$ 1.80	$ 1.57	$ 1.59	$ 1.54	$ 1.41	$ 1.13
.73	.73	.73	.70	.65	.58	.55
$ 89,194,111	$ 68,474,622	$ 69,886,699	$ 71,682,180	$ 60,170,033	$ 56,330,962	$ 49,455,881
2.39	1.87	2.38	2.83	2.87	3.16	3.14
$119,787,942	$102,326,245	$ 82,525,737	$ 64,313,679	$ 55,087,569	$ 57,021,267	$ 45,363,338
5,337,595	5,350,404	5,362,604	—	—	—	—
281,657,785	256,858,094	210,448,258	176,759,643	149,033,519	141,559,921	127,005,712
105,830,112	68,976,000	57,241,000	46,204,224	31,587,530	34,141,143	27,921,000
5,303,430	5,309,338	5,314,596	—	—	—	—
$106,020,630	$102,480,907	$ 95,459,512	$ 89,929,844	$ 84,060,086	$ 78,837,366	$ 72,002,800
16.23	15.69	14.62	13.77	12.88	12.15	11.10
% 7.14	% 11.90	% 11.05	% 11.91	% 12.35	% 11.98	% 10.22

LITHO'D IN CANADA AGENCY PRESS LIMITED

Woodward's



23 locations in British Columbia and Alberta.

1892 — Downtown Store, Vancouver, B.C.
1948 — Port Alberni Store, Vancouver Island, B.C.
1950 — Park Royal Centre, West Vancouver, B.C.
1954 — Westminster Store New Westminster, B.C.
1955 — Westmount Centre, Edmonton, Alta.
1959 — Oakridge Centre, Vancouver, B.C.
1960 — Chinook Centre, Calgary, Alta.
1963 — Mayfair Centre, Victoria, B.C.
1964 — Kamloops Store, Kamloops, B.C.
1965 — Northgate Centre, Edmonton, Alta.
1966 — Guildford Centre, Surrey, B.C.
1966 — Parkwood Centre, Prince George, B.C.
1970 — Southgate Centre, Edmonton, Alta.
1971 — Market Mall Centre, Calgary, Alta.
1973 — Furniture Fair, Burnaby, B.C.
1974 — Edmonton Centre, Edmonton, Alta.
1974 — Arbutus Village, Vancouver, B.C.
1975 — Furniture Fair, Edmonton, Alta.
1975 — Lethbridge Centre, Lethbridge, Alta.
1975 — Sevenoaks Centre, Clearbrook, B.C.
1975 — Cherry Lane Centre, Penticton, B.C.
1977 — Lansdowne Park, Richmond, B.C.
1979 — Coquitlam Centre, Coquitlam, B.C.